

# CHOICE, PLACE AND OPPORTUNITY: AN EQUITY ASSESSMENT OF THE TWIN CITIES REGION

**DRAFT**

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# **SECTION I: REGIONAL DISPARITIES**

## Disparities in the Twin Cities region today

The Minneapolis-Saint Paul metropolitan area has been a fairly robust and resilient region, performing very well in comparison to other metropolitan areas.<sup>i</sup> When compared with the nation's 25 most populous metropolitan areas, 2012 data show that the 13-county region has:

- The highest overall employment rate<sup>ii</sup> (76%)
- The second-highest rate of homeownership (70%)
- The second-lowest overall rate of poverty (11%)<sup>iii</sup>

These comparisons underscore the region's impressive economic performance, but they also conceal another crucial fact: the Minneapolis-Saint Paul metropolitan area has some of the largest racial and ethnic disparities in the nation. Looking at these same data points more closely, major differences by race and ethnicity stand out (Figure 1.1):

- The employment rate for people of color was 65%, compared with 79% for white, non-Latino adults—the largest disparity of employment rates by race across metros in the nation.
- 37% of residents of color own their homes, compared with 76% of white, non-Latino residents—again, the largest disparity of homeownership rates by race across metros in the nation.
- 26% of residents of color were in poverty, compared with only 6% of white, non-Latino residents—once more, the largest disparity of poverty by race across metros in the nation.

### 1.1 Disparities by race and ethnicity in the Twin Cities region, 2012

	White, non-Latino	Persons of color	Rank among 25 largest metro areas <sup>a</sup>
Percentage of population age 25+ with a high school diploma	96.3%	78.3%	3
Percentage of civilian working-age population that is employed	79.4%	64.8%	1
Percentage of individuals with income at or above poverty threshold	93.6%	74.3%	1
Per capita income (2011 dollars)	\$37,943	\$18,078	4
Percentage of householders who own their homes	75.8%	37.0%	1

Source: Metropolitan Council staff calculations based on U.S. Census Bureau, American Community Survey, 2012.

<sup>i</sup> Throughout this document, the term Twin Cities region refers to the seven-county jurisdiction of the Metropolitan Council which includes Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington counties. In contrast, the Minneapolis-Saint Paul metropolitan area refers to the 13-county metropolitan area that also includes Chisago, Isanti, Sherburne, and Wright counties in Minnesota as well as Pierce and St. Croix counties in Wisconsin. To compare our area with other areas of the country, we use the 13-county metropolitan area.

<sup>ii</sup> The employment rate provided here is the number of civilians between the ages of 16 and 64 who have a job divided by the total number of civilians between the ages of 16 and 64. People who do not have a job are either unemployed (looking for work) or not in the labor force (not looking for work; e.g., retirees, stay-at-home parents, students, or discouraged workers).

<sup>iii</sup> This report defines residents in poverty as those who make incomes that is less than or equal to 185% of the Federal poverty level—equivalent to \$42,589 for a family of four in 2011. Due to data limitations, however, the poverty definition used for poverty rate comparisons across racial and ethnic groups is 100% of the Federal poverty level.

(a) The rank accounts for variation in the magnitude of the measures across metropolitan areas. For example, a \$10,000 difference in per capita income is more meaningful when one group has \$1,000 and the other has \$11,000 than when one group has \$90,000 and the other has \$100,000. See Appendix A for more information on metro area rankings.

Significant disparities in both educational achievement and personal income exist in the Twin Cities region. For example:

- 78% of persons of color over the age of 25 have a high school diploma, compared with 96% of white, non-Latino adults.
- The median income of persons of color amounts to 63 cents for every dollar of median income earned by white, non-Latinos.<sup>1</sup>

The disparities briefly described here—academic performance, employment, income, poverty, and homeownership—are all pieces of the same larger picture. On average, people of color in the Twin Cities region today are not experiencing the same quality of life as their white counterparts.

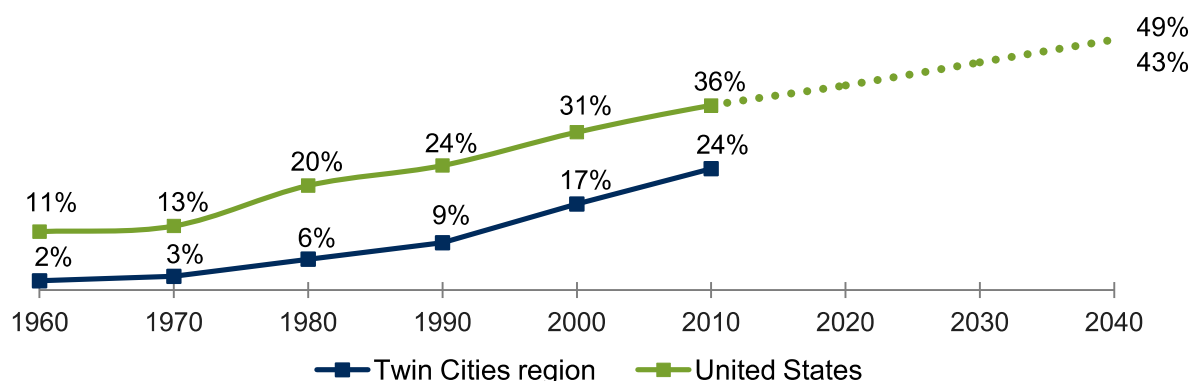
## Trends shaping our future

Three concurrent trends are shaping the future of the Twin Cities region. Each underscores how present day disparities, if left unaddressed, may irrevocably undermine the region’s economic vitality and well-being over the next 30 years.

### #1. The region is becoming more racially diverse.

Historically, the Twin Cities region has lagged behind the U.S. in terms of racial diversity. Until 1990, people of color were three times less prevalent in the metro area compared to the U.S. overall. However, by 2040, residents of color are estimated to be 43% of the region’s total population—up from 24% in 2010 and far closer to the national rate (Figure 1.1). People of color, specifically Latinos and Asians, will be the fastest growing segment of the region’s population over the next 30 years.

## 1.2 Percentage of people of color in the Twin Cities region and United States, 1960 - 2040



Source: U.S. Census Bureau, Decennial Census, 2010 and earlier; U.S. Census Bureau, Population Division, NP2012-T4; Metropolitan Council 2040 Preliminary Regional Forecasts.

## #2. Disparities, especially poverty, are increasingly visible across the Twin Cities region.

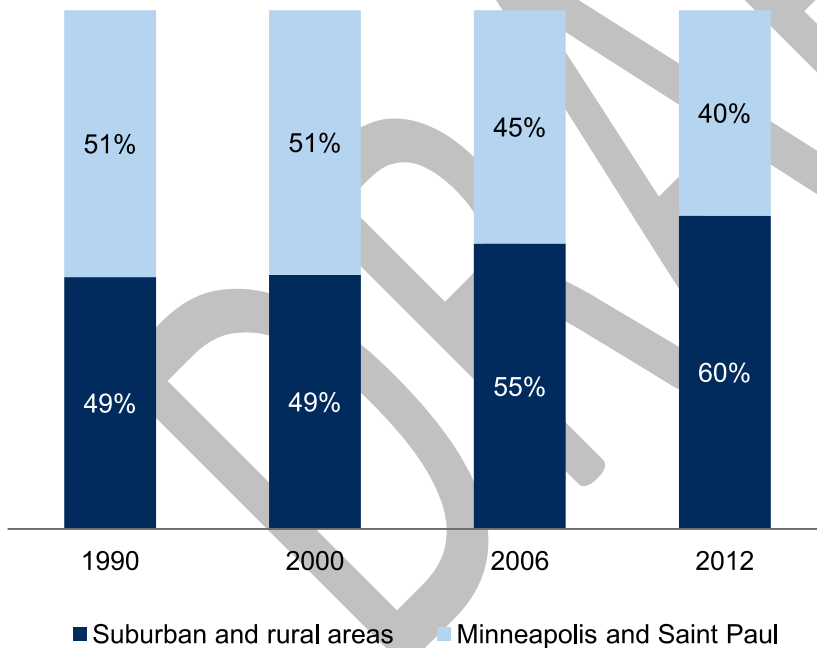
Currently, 77% of the region's population lives outside of the Twin Cities. Suburban and rural communities grew 35% over the past twenty years, five times the growth of Minneapolis and Saint Paul over the same time period. As the general population rapidly increased in the suburbs and rural areas of the region, so did the number of residents in poverty.

Poverty rates in Minneapolis and Saint Paul are higher than those in any single typical suburban or rural community. Yet poverty has been growing rapidly in the region's suburbs. In fact, the number of suburban residents in poverty has nearly doubled since 1999. Currently, the actual number of people in poverty in the suburbs exceeds the combined total of those in poverty in Minneapolis and Saint Paul (see *Section II: Regional Poverty Trends*).

In 2012, 60% of the region's residents in poverty lived outside Minneapolis and Saint Paul, a departure from 1990 and 2000, when less than half lived in the suburban or rural areas of the region (Figure 1.3). Although poverty rates in the suburbs are still lower than the rates in the central cities, the footprint of poverty across the region has been expanding. Poverty is no longer an 'inner city' issue. It is now a regional problem.

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### 1.3 Residents in poverty by location in 1990, 2000, 2006, and 2012



Source: U.S. Census Bureau, Decennial Census, 1990 and 2000; U.S. Census Bureau, American Community Survey one-year data, 2006 and 2012.

**#3. Evidence suggests that income inequality in the region is on the rise, suggesting disparities may increase even further.**

The Minneapolis-Saint Paul metropolitan area ranks comparatively low on measures of income inequality both before and after the recession of the late 2000s. The Gini index is a measure commonly used to describe income distribution in a given area.<sup>iv</sup> Higher values represent a more unequal distribution; the index can range from 0 (where each household has exactly the same income) to 1 (where one household has all the income and other households have no income). In 2006, the Gini index for the Twin Cities region was 0.422; in 2012, it was 0.443. This increase was the third-highest among the 25 most populous metropolitan areas, with the Twin Cities ranking just behind Atlanta and Detroit. This suggests that income disparities in the region are growing faster than those in other metros, making it even more urgent for the region to address these disparities. The challenges of tackling these disparities also present many opportunities for the region; the benefits of eliminating or mitigating the disparities are tangible and substantial.

**The benefits of closing gaps**

The region could improve its long-term economic competitiveness considerably by addressing existing racial gaps. Figure 1.4 presents two scenarios that quantify the advantages of closing the gaps. Scenario A applies current regional disparities to the 2040 preliminary regional forecasts. In contrast, Scenario B shows how the Twin Cities region fares by 2040 if people of color have the same socioeconomic profile as white non-Latino residents do today. A comparison of the two scenarios shows that eliminating disparities can have tremendous value to the region as a whole, including declining poverty rates, increasing per capita income for all residents, and improvements in already high rates of educational attainment and employment (Figure 1.4). For example, if people of color have the same poverty rate in 2040 that white non-Latino people do today, then there would be 298,000 fewer people in poverty, and the region's poverty rate would be 6%.

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<sup>iv</sup> Gini indices based on household income distribution were calculated for the 25 largest metropolitan areas in 2006 and 2012 by the U.S. Census Bureau for the 2006 and 2012 American Community Survey data.

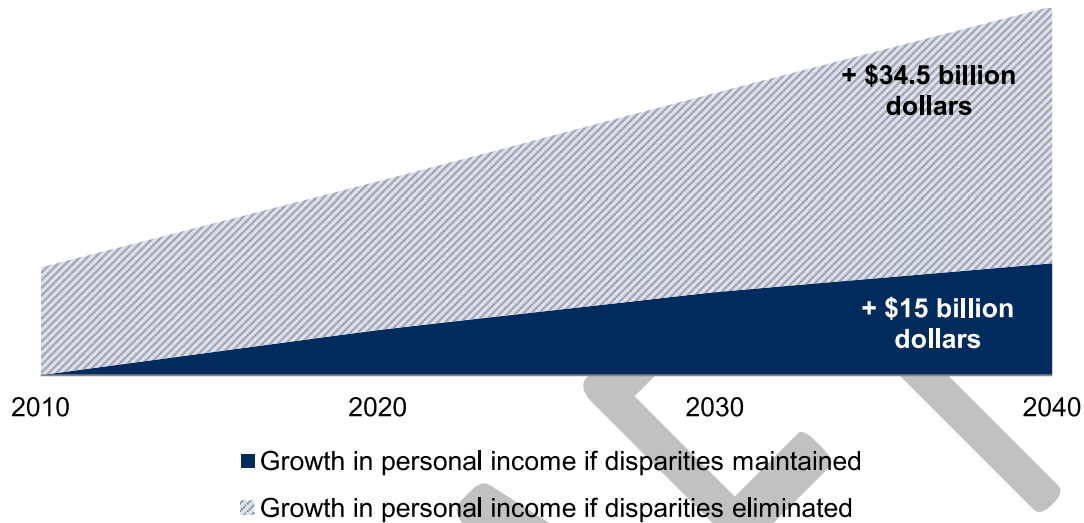
## 1.4 Regional benefits of eliminating current disparities

	Twin Cities Region, 2007-2011	Twin Cities Region, 2040 (Scenario A: Maintaining Disparities)	Twin Cities Region, 2040 (Scenario B: Eliminating Disparities)	Benefits of eliminating disparities
Percentage of population age 25+ with a high school diploma	92.6%	88.8%	96.1%	<b>182,000</b> more people with a diploma
Percentage of civilian working-age population that is employed	76.0%	72.8%	78.8%	<b>137,000</b> more people with jobs
Percentage at or below poverty threshold	10.3%	13.9%	6.0%	<b>298,000</b> fewer people in poverty
Per capita income (2011 dollars)	\$34,323	\$30,067	\$39,280	<b>\$34.5 billion</b> more in aggregate personal income
Percentage of householders who own their homes	70.6%	63.2%	77.0%	<b>216,000</b> more households who own homes

Source: Metropolitan Council staff calculations based on U.S. Census Bureau, American Community Survey, 2007-2011 and Metropolitan Council 2040 preliminary regional forecasts. See Appendix B for calculations.

Furthermore, the business of eliminating disparities has a guaranteed return. The injection of an additional \$34.5 billion into the region's economy could enhance consumer demand and the regional tax base considerably by 2040.

## 1.5 Projected growth of personal income in Twin Cities region, 2010-2040



Source: Metropolitan Council staff calculations based on U.S. Census Bureau, American Community Survey, 2007-2011 and Metropolitan Council 2040 preliminary regional forecasts.

In short, *all* residents of Twin Cities need access to opportunity if the region is to have a healthy and prosperous future. If people of color—the fastest growing segment of the region’s population—continue to have lower educational attainment levels and employment rates, the region as a whole would suffer from shortages of skilled labor. If residents of color continue to have less income and wealth than their white counterparts, an increasing proportion of the region’s residents would lack the purchasing power and consumer base that could boost the region’s economy in the long run. Reducing existing disparities is not simply a moral imperative. It is essential for ensuring the well-being of *all* residents of the region.



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<sup>1</sup> Wilder Research (2012). *Mind the Gap: Version 2.0* (commissioned by The Itasca Project).

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